



2003-2004
Annual
REPORT



Building Marketing Strength For Canada's Freshwater Fishers

Canada

TABLE OF CONTENTS

Page 1	President's Report
Page 2	Corporate Profile
Page 3	Highlights and Accomplishments
Page 4	Strategic Directions
Page 8	Ten-Year Financial Summary
Page 9	How Fishers are Paid
Page 10	Product Deliveries and Financial Returns to Fishers by Species
Page 11	Financial Statements
Page 20	Corporate Governance

LETTER OF TRANSFER FROM CHAIRPERSON OF THE BOARD OF DIRECTORS TO MINISTER OF FISHERIES AND OCEANS



Honourable Geoff Regan
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Regan:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2004.

I would like to take this opportunity to thank retired Board member Robert T. Kristjanson, who completed a six-year term of dedicated service to the Corporation, and wish him well in his future activities.

The Corporation also welcomes its newest Director, Ron Ballantyne, appointed as the Manitoba representative for a two-year term. We also congratulate Ed Isfeld, reappointed to the Board as a federal representative.

The Board of Directors and senior management met the many fiscal challenges of 2003/2004 head-on, using business intelligence and every opportunity possible to mitigate the loss caused by the fluctuating U.S.-Canadian exchange rate.

It is encouraging to have the results of the Fisher Profile Study (completed in April 2004) confirm that a majority of our stakeholders gave a positive overall performance rating to the Corporation and support our single-desk marketing function on their behalf.

We will continue to earn our stakeholders' respect and recognition, and to provide a bright financial future for the children they believe will carry on the family tradition of commercial freshwater fishing.

Respectfully,

A handwritten signature in dark ink, reading "Jim Bear". The signature is fluid and cursive, with the first name "Jim" and last name "Bear" clearly distinguishable.

Jim Bear
Chairman of the Board

PRESIDENT'S REPORT

"The Corporation must rise to the challenge of a higher-valued Canadian dollar that is the new reality faced by all export-oriented companies."



The 2003/2004 fiscal year was a difficult one for the Corporation and the fishers we serve. A rapid and pronounced weakening of the U.S. dollar has interrupted a six-year unprecedented growth trend for sales and payments to fishers. Almost \$6.0 million in year-to-year decreases for both sales and payments can be attributed to this exchange rate factor.

There were other lesser but significant factors that impacted the financials. Lower margins resulted from price promotions to develop new markets and defend against increasing competition. Higher costs were associated with extreme peaks in deliveries, new product development, and agency operations.

The overall result was that the Corporation experienced a \$0.8 million net loss, its first in over thirty years. Retained Earnings, which were accumulated as a hedge against possible losses, were reduced accordingly.

The Corporation must rise to the challenge of a higher-valued Canadian dollar that is the new reality faced by all export-oriented companies. We will do that by focusing on quality enhancement, cost reduction and market development. We are committed to restoring payments to fishers to meet and exceed the record levels that they recently enjoyed.

Respectfully,

A handwritten signature in dark ink, appearing to read "Robert F. Hand".

Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba

TABLE OF CONTENTS

Page 1	President's Report
Page 2	Corporate Profile
Page 3	Highlights and Accomplishments
Page 4	Strategic Directions
Page 8	Ten-Year Financial Summary
Page 9	How Fishers are Paid
Page 10	Product Deliveries and Financial Returns to Fishers by Species
Page 11	Financial Statements
Page 20	Corporate Governance

LETTER OF TRANSFER FROM CHAIRPERSON OF THE BOARD OF DIRECTORS TO MINISTER OF FISHERIES AND OCEANS



Honourable Geoff Regan
Government of Canada
Minister of Fisheries and Oceans
Suite 1570, 200 Kent Street
Ottawa, Ontario
K1A 0E6

Dear Mr. Regan:

We are pleased to submit the Corporation's Annual Report, in accordance with Section 150 of the Financial Administration Act. The Annual Report includes audited financial statements for the fiscal year ending April 30, 2004.

I would like to take this opportunity to thank retired Board member Robert T. Kristjanson, who completed a six-year term of dedicated service to the Corporation, and wish him well in his future activities.

The Corporation also welcomes its newest Director, Ron Ballantyne, appointed as the Manitoba representative for a two-year term. We also congratulate Ed Isteld, reappointed to the Board as a federal representative.

The Board of Directors and senior management met the many fiscal challenges of 2003/2004 head-on, using business intelligence and every opportunity possible to mitigate the loss caused by the fluctuating U.S.-Canadian exchange rate. It is encouraging to have the results of the Fisher Profile Study (completed in April 2004) confirm that a majority of our stakeholders gave a positive overall performance rating to the Corporation and support our single-desk marketing function on their behalf. We will continue to earn our stakeholders' respect and recognition, and to provide a bright financial future for the children they believe will carry on the family tradition of commercial freshwater fishing.

Respectfully,

A handwritten signature in dark ink, appearing to read "Jim Bear".

Jim Bear
Chairman of the Board

PRESIDENT'S REPORT

"The Corporation must rise to the challenge of a higher-valued Canadian dollar that is the new reality faced by all export-oriented companies."



The 2003/2004 fiscal year was a difficult one for the Corporation and the fishers we serve. A rapid and pronounced weakening of the U.S. dollar has interrupted a six-year unprecedented growth trend for sales and payments to fishers. Almost \$6.0 million in year-to-year decreases for both sales and payments can be attributed to this exchange rate factor.

There were other lesser but significant factors that impacted the financials. Lower margins resulted from price promotions to develop new markets and defend against increasing competition. Higher costs were associated with extreme peaks in deliveries, new product development, and agency operations.

The overall result was that the Corporation experienced a \$0.8 million net loss, its first in over thirty years. Retained Earnings, which were accumulated as a hedge against possible losses, were reduced accordingly.

The Corporation must rise to the challenge of a higher-valued Canadian dollar that is the new reality faced by all export-oriented companies. We will do that by focusing on quality enhancement, cost reduction and market development. We are committed to restoring payments to fishers to meet and exceed the record levels that they recently enjoyed.

Respectfully,

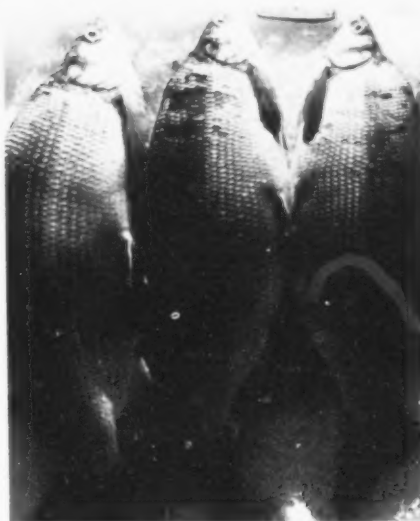
A handwritten signature in dark ink, appearing to read "Robert F. Hand". The signature is fluid and cursive, written over a light background.

Robert F. Hand
President and Chief Executive Officer
Winnipeg, Manitoba

CORPORATE PROFILE

PROFILE

Freshwater Fish Marketing Corporation, a self-sustaining federal Crown corporation created in 1969, is the buyer, processor and marketer of freshwater fish from Manitoba, Saskatchewan, Alberta, Northwest Territories, and part of Northwestern Ontario. The Corporation's mandate is to purchase all fish lawfully fished and offered for sale, to create an orderly market, to promote international markets, to increase fish trade, and to increase returns to fishers. Profits, in the form of final payments, are distributed annually to participating fishers.



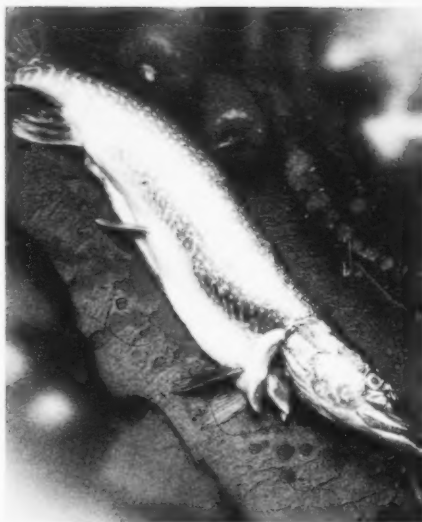
The Board of Directors, with the President and Chief Executive Officer, govern the Corporation. All eleven positions on the Board are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. A four-member senior management team assists the President and forty-four full-time staff provide administrative support. In addition, the Corporation employs up to 350 seasonal employees. Thirty-eight contracted agents and three corporate agencies grade and purchase fish at seventy-five delivery points.

Approximately 3,000 fishers deliver the product harvested from more than 400 lakes in the region.

Freshwater Fish Marketing Corporation has established a solid reputation for product reliability, quality and safety. The Corporation is a recognized price leader, exercising its mandate to inter-provincial and international trade and marketing. It has a leadership position in the U.S. walleye market, and is the largest supplier of whitefish in Finland, whitefish caviar in Sweden and Finland, and northern pike in France.

HIGHLIGHTS

HIGHLIGHTS & ACCOMPLISHMENTS



MARKETING AND SALES

- Total sales of \$60.3 million were \$6.5 million less than the previous year.
- The sales decrease can be attributed primarily to the sharply lower U.S.-to-Canadian dollar exchange rate.
- Total sales by weight (pounds sold) were approximately equal to last year with increases for whitefish, lake trout and perch offset by slight declines in other species.

FISHER RETURNS

- Total fish deliveries decreased by 2.1 million round equivalent kilograms (or 9%) compared to 2002/2003.
- Lower deliveries were recorded in all regions and for all species except for pickerel, which saw a 10% increase.
- The downturn in exchange rate forced initial prices to be reduced in November 2003 by 5% to 15% for all species.
- As a result of the above, initial payments to fishers (net of freight) at \$33.4 million were \$1.5 million or 4% lower than last year.



- As there will be no final payment this year, total payments to fishers will remain at \$33.4 million, which is \$7.7 million below the record payments (initial plus final) last year.

FINANCIAL ISSUES

- The net loss of \$0.8 million compared to a net income of \$6.2 million last year.
- Approximately \$5.9 million of the \$7.0 million change can be attributed to the exchange rate factor.
- In addition, there were reduced margins for certain species as a result of price promotions to stimulate sales of high inventory items.
- Retained Earnings, which were accumulated as a hedge against possible losses, were reduced accordingly.

STRATEGIC DIRECTIONS

The Corporation's Board of Directors created a vision for the future in February 2000 that identified issues and established values and directions for the Corporation's long-term development. With this direction, the management team developed a comprehensive strategic plan that the Board approved in July 2000. The approved plan includes corporate values, goals and objectives along with a program for implementation, control and continual review. The following corporate mission statement guides the plan:

OUR MISSION

*"To be the **leading marketer** of freshwater fish products, **respected and recognized** for high-quality, dependable supply, excellent customer value and **increasing returns to fishers.**"*

With the strategic framework in place, the dynamic process of implementation is driven through the ongoing evolution of strategic initiatives. These initiatives are non-routine clearly-defined actions or projects undertaken to fulfil identified corporate goals. They allow planned change and adaptation to new directions while maintaining a focus on strategic objectives. Each initiative has a project champion, budget and implementation timetable, along with measurable results for evaluating performance.

Following is a summary of initiatives and progress for each of the three key objectives for the 2003/2004 fiscal year:



SUSTAINING MARKET LEADERSHIP

Our goal: To be the supplier of choice in the markets we serve based on quality, service and reliability.

WHITEFISH: NEW MARKET / PRODUCT DEVELOPMENT

- Boned, vacuum-packed whitefish product was developed for the U.S. and Canadian retail markets.
- Boned whitefish fillets were introduced into the Finnish market. This important expansion of the product line contributed to almost tripling frozen fillet sales over the previous year.
- Established a Whitefish Implementation Team to ensure continued focus and coordination of all whitefish development initiatives.
- A mechanized processing line for whitefish filleting and bone removal was installed.

NORTHERN PIKE

- Continued production of boneless northern pike fillets.
- Developed a boneless northern pike portion for European foodservice market.

FRESH FISH PROGRAM

- A new lakeside fresh packing program was implemented to eliminate double handling and enhance quality.
- Pilot projects were undertaken, including shipping fresh fish into Finland and further processing to add value for U.S. and Canadian customers.

LAKE-TO-PLATE FISH QUALITY PROGRAM

- Quality Workshop was held in August 2003 which resulted in several new initiatives:
 - Periodic Newsletter to fishers featuring quality themes

- Pilot projects to compare harvesting techniques with regard to quality and size
- Studies on alternative lake-to-plant shipping containers and chilling systems
- A complete in-plant review of handling and storage methods
- As a result of the above, there have already been significant changes implemented in the way we purchase, grade, transport, hold and process fish to maximize quality.

PERFORMANCE INDICATORS

A base-line customer survey was conducted by Probe Research in 2001 to determine whether FFMC was the supplier of choice with regard to service, quality and reliability. This survey was completed in April 2004 and additionally, valuable information was gathered in regards to new market opportunities. A condensed summary of both results are presented in the following table:

Factor	2001 Score	2004 Score
Service	4.3 out of 5.0	3.8 out of 5.0
Quality	4.4 out of 5.0	4.3 out of 5.0
Reliability	4.4 out of 5.0	3.9 out of 5.0
Overall Performance	7.7 out of 10.0	7.2 out of 10.0

The 2004 results are generally lower than in 2001, particularly for service and reliability. Recent out-of-stock incidents for prime sizes of pickerel and customer concerns with timely communication are the indicated reasons. These issues are being addressed on a go-forward basis and we expect that the next scheduled survey in 2007 will reflect the corrective action taken.



GENERATING INCREASING RETURNS TO FISHERS AND COMMUNITIES

Our goal: To increase total returns to fishers, thereby enhancing the benefits to them and their communities.

CONTINGENCY PLAN TO HANDLE PEAK VOLUMES

- Exceptional peak deliveries overtaxed processing capacity on two separate occasions during the year.
- In order to reduce the risk of recurrence, a Contingency Response Plan for 2004/2005 was documented and ready for implementation on March 31, 2004.

CONTINUOUS COST IMPROVEMENT

- A Production Cost Workshop in January 2004 resulted in the initiation of multiple projects with significant savings potential.
- A new processing line was used as a model for new approaches to cost control, yield improvement, and productivity enhancement.
- Human Resources introduced policies and regular monitoring programs aimed at improving employee attendance.

PACKAGING REVIEW

- A change to styrofoam containers for shipping fresh fillet product resulted in a significant saving approaching \$50,000.

FINANCE AND ADMINISTRATION – INTERNAL REPORTS AND CONTROLS

- Developed capability for electronic customer invoicing.
- Completed preliminary programming work for automation of delivery forecasting from Fish Purchase System database.

- Improvements in raw material shipping notification have been made to promote better plant scheduling.

REGIONAL PROCESSING

- Progress continued with proponents of a processing plant in Saskatchewan.
- Discussions were held with several other potential partners.

OZONE AND CHLORINE DIOXIDE

- Applications of ozone and chlorine dioxide were researched for potential to improve sanitation and reduce costs.

PERFORMANCE INDICATORS

"Returns to fishers", defined as initial payments (net of freight) plus final payments, has been used as a simple, obvious performance indicator. Returns to fishers are reported in aggregate and by species pool from April 30, 1995 (see page 10).

Last year, an index of returns to fishers in the form of a three-year moving average was reported for the first time and has been continued this year. The three-year moving average:

- Clearly shows trends over time, while moderating the effect of year-to-year variations
- Smooths out environmental cycles
- Accounts for inventory carry-over (i.e. fish caught in one year can be sold in the next).

The current three-year moving average for total payments to fishers has fallen by \$1.5 million or 4%. This is the first decline in this index since 1998.



EARNING RESPECT AND RECOGNITION

Our goal: To earn support for the Corporation's mandate from a majority of the commercial fishers we serve.

FISHER PROFILE SURVEY

- Comprehensive issues, attitudes and demographics survey undertaken by Probe Research and coordinated by Cross Cultural Consulting.
- The survey final report was completed in April 2004.
- FFMC was one participant among several federal and provincial agencies who co-sponsored.
- Executive Summary and Highlights are included as a special supplement.
- The results will be used as a base-line for future surveys.

MANAGEMENT INTERNSHIP PROGRAM

- The Corporation's Aboriginal intern program is now in its second year.
- The objective of the program is to improve Aboriginal representation within corporate management.

ENHANCED STAKEHOLDER AND EMPLOYEE RELATIONS

- The Corporation again recognized employees for past service (ten employees reached the 25-year mark and five achieved 30 years of service).
- Personnel policies were updated and presented to employees.

PERFORMANCE INDICATORS

As indicated in the results from the Fisher Profile Survey, over 7 in 10 fishers have expressed their support for the mandate of the Corporation. We will strive to improve on this level of support as we continue to focus on the important issues identified in the survey.

The benchmark provided by the Fisher Profile survey will enable a process whereby the Corporation, employing smaller, more efficient samples, can monitor fishers' issues and attitudes at regular intervals. The first repeat survey is scheduled for 2007.



Employee Recognition 30 YEARS SERVICE



Alfred Flett



Charles Taylor



Gary Kostiak



Marsha McCumber

Betty Ploschak
(photo unavailable)

TEN YEAR FINANCIAL SUMMARY

FISCAL YEAR ENDED APRIL 30, 2004 (All amounts in millions of dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sales	\$43.7	\$47.1	\$43.0	\$43.0	\$50.7	\$54.9	\$61.9	\$68.2	\$66.8	\$60.3
Net Income Before Final Payments	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	(\$0.8)
Initial Payments To Fishers	\$24.8	\$30.3	\$25.4	\$22.1	\$27.9	\$34.2	\$36.7	\$35.9	\$37.7	\$35.7
Net Income Plus Initial Payments To Fishers	\$29.3	\$33.0	\$25.6	\$24.2	\$33.5	\$38.5	\$43.5	\$43.3	\$43.9	\$34.9
Accounts Receivable - Trade	\$4.2	\$4.5	\$4.6	\$3.4	\$4.8	\$5.8	\$6.3	\$7.4	\$7.1	\$7.9
Inventory - Finished Fish Products	\$3.5	\$6.7	\$7.0	\$4.7	\$5.0	\$8.8	\$12.2	\$10.9	\$13.7	\$14.4
Inventory - Packaging Material and Parts	\$0.9	\$1.1	\$1.1	\$1.1	\$0.8	\$0.8	\$0.9	\$0.8	\$0.9	\$0.9
Capital Assets - Net Book Value	\$7.6	\$7.5	\$7.0	\$6.1	\$6.3	\$6.5	\$6.2	\$6.7	\$6.9	\$6.7
Loans Payable	\$7.0	\$11.1	\$13.2	\$7.1	\$5.8	\$10.9	\$12.1	\$11.5	\$14.0	\$23.1
Retained Earnings*	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$4.2	\$3.3

*Retained Earnings

Over the years, the Corporation has gradually established a "retained earnings" balance totaling \$4.2 million. This total (commonly known by fish producers as the "reserve fund") was accumulated through deductions from earnings generated from the sale of fish between 1980 and 1994. In 1994, when retained earnings reached \$4.2 million, deductions were stopped. These retained earnings are used by the Corporation to finance operations and inventories of fish, and reduce the Corporation's dependency on external financing from banks, thereby enabling the Corporation to reduce annual interest charges. Although \$4.2 million in retained earnings is low for a business the size of FFM, it provides some security against unexpected downturns in the market or extremely serious financial setbacks, such as the net income loss that occurred during this fiscal year as a result of the sharply (12%) lower U.S.-to-Canadian dollar exchange rate. This situation caused a decrease in Retained Earnings of \$0.8 million.

HOW FISHERS ARE PAID

The Freshwater Fish Marketing Act mandates the Corporation to purchase all commercially caught fish in Manitoba, Saskatchewan, Alberta, the Northwest Territories and part of Northwestern Ontario. The Act entitles the Corporation to establish a payment structure that provides initial and final payments under a "pool" system where receipts and costs are allocated or "pooled" by fish species to determine final payments.

Generally, initial prices are set for each species by estimating its market value, subtracting its projected processing and operating costs and withholding a contingency amount. An exception is exercised when the Corporation is developing new markets for underutilized species. Then, initial prices are set at above-justified levels for limited quantities to secure production for testing new markets.

The Corporation's policy is to set initial prices for all species at levels designed to promote a full fishery in all regions. Higher volumes generally, including lower-value species, help develop markets, maximize efficiencies and contribute to fixed costs for the benefit of all fishers.

Initial prices may be adjusted during the fiscal year to reflect changing market conditions. A temporary delivery premium may be offered for a given species to encourage fishers to harvest when prices are strong or when there is an urgent need to meet a customer's requirement.

At the end of the fiscal year, after the annual audit by the Auditor's Office, the Corporation determines final payments from the pooled receipts. A final payment is recommended when sales revenues exceed all direct and allocated costs for a given species.

The following table provides a ten-year history of pool results.



PRODUCT DELIVERIES & FINANCIAL RETURNS TO FISHERS BY SPECIES

TEN YEAR SUMMARY (1995-2004), FISCAL YEAR ENDED APRIL 30 Initial and Final Payments in Millions of Dollars (Current Dollars)

Delivered Weight - Round Equivalent Weight
(millions of kilograms)

Price/Round Kg. - Based on Initial Payment plus
Final Payment

Initial Payments - Net of Freight

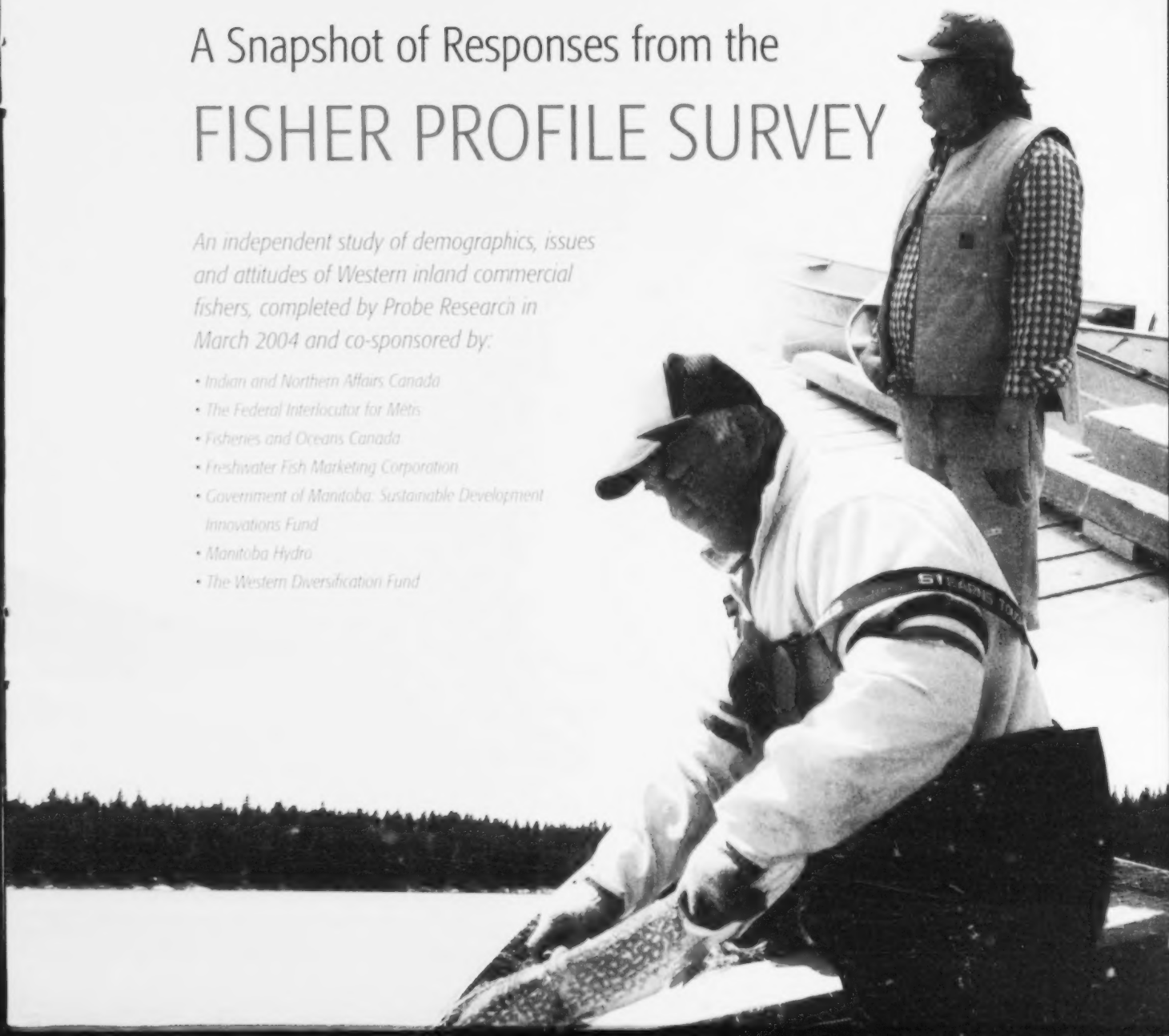
Three Year Moving Average of Total Payments

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Pickereel										
Delivered weight ¹	3.0	3.1	2.6	2.8	3.7	4.6	5.7	5.1	5.1	5.6
Price/Round Kg.	\$4.00	\$4.42	\$3.50	\$3.61	\$4.38	\$4.28	\$4.19	\$4.45	\$4.65	\$3.45
Initial Payment ²	\$8.2	\$11.6	\$9.0	\$8.7	\$13.0	\$17.3	\$19.6	\$16.8	\$18.2	\$19.3
Final Payment	\$3.8	\$2.1	\$0.1	\$1.4	\$3.2	\$2.4	\$4.3	\$5.9	\$5.5	\$0.0
Total Payment	\$12.0	\$13.7	\$9.1	\$10.1	\$16.2	\$19.7	\$23.9	\$22.7	\$23.7	\$19.3
3 Yr. Moving Avg. ³	\$11.5	\$11.5	\$11.6	\$11.0	\$11.8	\$15.3	\$20.9	\$22.1	\$23.4	\$21.9
Whitefish										
Delivered weight ¹	6.3	6.4	6.4	5.5	5.3	5.6	6.5	6.8	7.0	6.7
Price/Round Kg.	\$0.97	\$0.98	\$0.92	\$0.91	\$1.09	\$1.27	\$1.43	\$1.16	\$1.19	\$1.10
Initial Payment ²	\$6.1	\$6.2	\$5.9	\$5.0	\$5.0	\$6.2	\$7.8	\$7.9	\$8.3	\$7.4
Final Payment	\$0.0	\$0.1	\$0.0	\$0.0	\$0.8	\$0.9	\$1.5	\$0.0	\$0.0	\$0.0
Total Payment	\$6.1	\$6.3	\$5.9	\$5.0	\$5.8	\$7.1	\$9.3	\$7.9	\$8.3	\$7.4
3 Yr. Moving Avg. ³	\$4.5	\$5.3	\$6.1	\$5.7	\$5.6	\$6.0	\$7.4	\$8.1	\$8.5	\$7.9
Northern Pike										
Delivered weight ¹	1.9	2.5	2.4	2.4	2.7	2.8	2.6	2.5	2.4	2.3
Price/Round Kg.	\$0.68	\$0.72	\$0.67	\$0.67	\$0.81	\$0.82	\$0.85	\$0.80	\$0.71	\$0.65
Initial Payment ²	\$1.3	\$1.8	\$1.6	\$1.6	\$1.9	\$2.0	\$1.9	\$1.8	\$1.7	\$1.5
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.3	\$0.3	\$0.2	\$0.0	\$0.0
Total Payment	\$1.3	\$1.8	\$1.6	\$1.6	\$2.2	\$2.3	\$2.2	\$2.0	\$1.7	\$1.5
3 Yr. Moving Avg. ³	\$1.8	\$1.5	\$1.6	\$1.7	\$1.8	\$2.0	\$2.2	\$2.2	\$2.0	\$1.7
Sauger										
Delivered weight ¹	1.7	1.3	1.1	1.0	1.1	1.0	0.6	0.7	0.8	0.8
Price/Round Kg.	\$2.71	\$3.62	\$2.91	\$2.50	\$3.55	\$3.20	\$3.33	\$4.14	\$3.88	\$3.13
Initial Payment ²	\$4.3	\$4.2	\$3.2	\$2.0	\$2.9	\$2.8	\$1.6	\$2.2	\$2.5	\$2.5
Final Payment	\$0.3	\$0.5	\$0.0	\$0.5	\$1.0	\$0.4	\$0.4	\$0.7	\$0.6	\$0.0
Total Payment	\$4.6	\$4.7	\$3.2	\$2.5	\$3.9	\$3.2	\$2.0	\$2.9	\$3.1	\$2.5
3 Yr. Moving Avg. ³	\$3.9	\$4.1	\$4.2	\$3.5	\$3.2	\$3.2	\$3.0	\$2.7	\$2.7	\$2.8
Mullet										
Delivered weight ¹	0.9	3.7	4.7	3.7	3.9	5.8	5.4	5.0	5.4	3.9
Price/Round Kg.	\$0.44	\$0.30	\$0.28	\$0.27	\$0.28	\$0.29	\$0.28	\$0.28	\$0.26	\$0.26
Initial Payment ²	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0
Final Payment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Payment	\$0.4	\$1.1	\$1.3	\$1.0	\$1.1	\$1.7	\$1.5	\$1.4	\$1.4	\$1.0
3 Yr. Moving Avg. ³	\$0.4	\$0.6	\$0.9	\$1.1	\$1.1	\$1.3	\$1.4	\$1.5	\$1.4	\$1.3
Perch										
Delivered weight ¹	0.4	0.5	0.3	0.2	0.2	0.2	0.2	0.6	0.5	0.3
Price/Round Kg.	\$4.00	\$3.60	\$3.00	\$4.50	\$5.50	\$5.50	\$4.50	\$4.50	\$3.60	\$3.00
Initial Payment ²	\$1.3	\$1.8	\$0.9	\$0.7	\$0.8	\$0.8	\$0.6	\$2.2	\$1.8	\$0.9
Final Payment	\$0.3	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3	\$0.3	\$0.5	\$0.0	\$0.0
Total Payment	\$1.6	\$1.8	\$0.9	\$0.9	\$1.1	\$1.1	\$0.9	\$2.7	\$1.8	\$0.9
3 Yr. Moving Avg. ³	\$0.9	\$1.3	\$1.4	\$1.2	\$1.0	\$1.0	\$1.0	\$1.6	\$1.8	\$1.8
Other										
Delivered weight ¹	1.0	1.2	1.6	1.2	1.3	1.3	1.3	1.3	1.6	1.1
Price/Round Kg.	\$0.60	\$0.83	\$0.69	\$0.67	\$0.54	\$0.62	\$0.62	\$0.77	\$0.69	\$0.73
Initial Payment ²	\$0.5	\$1.0	\$1.0	\$0.8	\$0.7	\$0.8	\$0.8	\$0.9	\$1.0	\$0.8
Final Payment	\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0
Total Payment	\$0.6	\$1.0	\$1.1	\$0.8	\$0.7	\$0.8	\$0.8	\$1.0	\$1.1	\$0.8
3 Yr. Moving Avg. ³	\$0.7	\$0.8	\$0.9	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0	\$0.9
All Pools										
Delivered weight ¹	15.2	18.7	19.1	16.8	18.2	21.3	22.3	22.0	22.8	20.7
Price/Round Kg.	\$1.75	\$1.63	\$1.21	\$1.30	\$1.70	\$1.69	\$1.82	\$1.85	\$1.80	\$1.61
Initial Payment ²	\$22.1	\$27.7	\$22.9	\$19.8	\$25.4	\$31.6	\$33.8	\$33.2	\$34.9	\$33.4
Final Payment	\$4.5	\$2.7	\$0.2	\$2.1	\$5.6	\$4.3	\$6.8	\$7.4	\$6.2	\$0.0
Total Payment	\$26.6	\$30.4	\$23.1	\$21.9	\$31.0	\$35.9	\$40.6	\$40.6	\$41.1	\$33.4
3 Yr. Moving Avg. ³	\$23.8	\$25.1	\$26.7	\$25.1	\$25.3	\$29.6	\$35.8	\$39.0	\$40.8	\$38.3

A Snapshot of Responses from the FISHER PROFILE SURVEY

*An independent study of demographics, issues
and attitudes of Western inland commercial
fishers, completed by Probe Research in
March 2004 and co-sponsored by:*

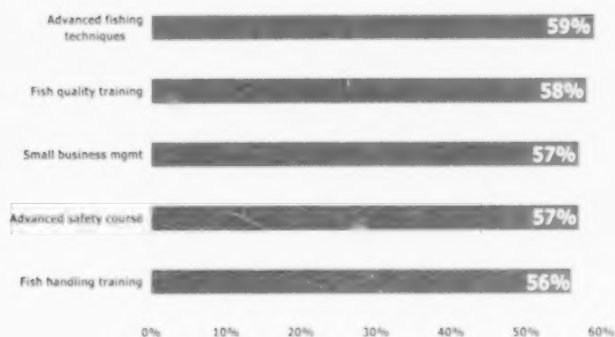
- Indian and Northern Affairs Canada
- The Federal Interlocutor for Métis
- Fisheries and Oceans Canada
- Freshwater Fish Marketing Corporation
- Government of Manitoba: Sustainable Development
Innovations Fund
- Manitoba Hydro
- The Western Diversification Fund



Understanding Western Inland

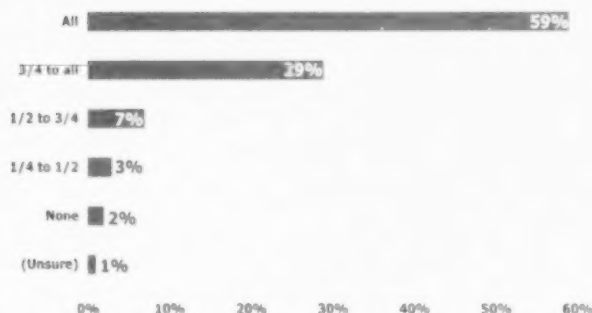
Desire for Training Courses (Aided)

Q: "I'd like you to tell me if you believe this type of course would help you personally to be a better fisher?"



Proportion of Total Catch Delivered to FFMC

Q: "Approximately what percentage of your entire catch did you deliver to the FFMC last year? Here I'm talking about your total catch from all species combined. Was it...?"

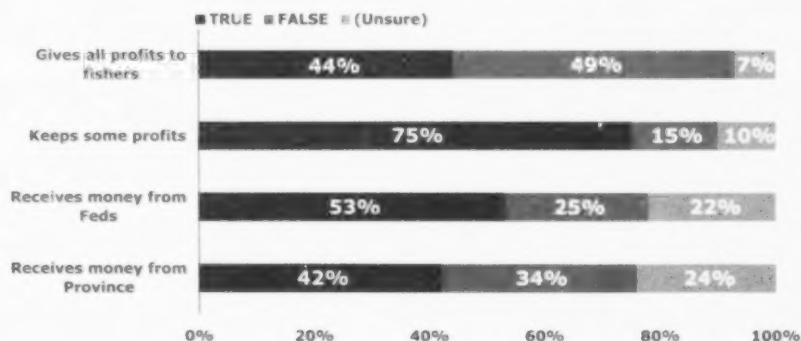


EXECUTIVE HIGHLIGHTS

- Over nine in ten commercial freshwater fishers are men and the median age is 45 years.
- The large majority (74%) has high school education or less.
- With a median fishing income of \$10,000, supplemental job or social-support income is necessary to sustain the basic standard of living for many.
- Only 52% consider themselves "full time" fishers, meaning that fishing is their primary source of income.
- On average, fishers spend 13.2 weeks per year actively engaged in fishing.
- Approximately 75% identified their ethnic origin as "First Nations" or "Métis".
- A majority was interested in specific training courses such as: fish quality training, small business management and advanced fishing techniques.
- A majority assign high importance to most aspects of the FFMC mandate and were supportive of FFMC's continued commitment to ensuring high prices for fish, developing new export markets and enforcing and maintaining quality standards.
- Fishers offered a positive overall performance rating to the FFMC. First Nations fishers were more positive in their assessment of the Corporation.

Perceptions of FFMC's Handling of Finances

Q: "Please indicate if you believe each of the following statements are true or false descriptions of the way the FFMC handles its financial affairs."

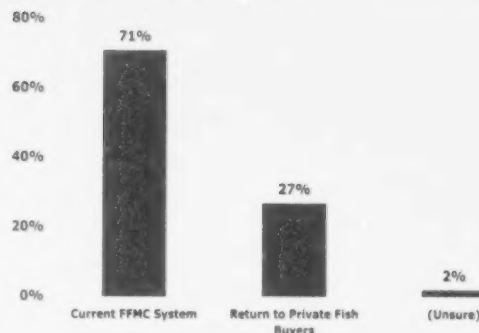


Commercial Fishers

- Seven in ten support the current single-desk marketing arrangement and favour the status quo when it comes to the FFMC's current role as the exclusive freshwater fish marketing and export body.
- Concerns about low or declining fish prices were consistently raised in all regions.
- Approximately 20% are uncertain as to which organization or governmental authority is responsible for overseeing specific aspects of the fishing industry.
- Most are unclear regarding the realities of the FFMC's financial structure and protocol including profit allocation. Similar uncertainty exists as to whether or not the Corporation is subsidized by the Federal or Provincial governments.
- Less than one-half are aware of specific communication vehicles used by the FFMC including its Lake-to-Plate newsletter and annual/quarterly reports.
- Most are optimistic about the future of their local fisheries although only 22% are strongly convinced that this industry will survive and prosper.
- More than one-half of surveyed fishers report having a child or children whom they believe will carry on the family tradition of commercial freshwater fishing.

Attitudes Toward Alternative Fish Marketing Arrangements

Q: "As you may know, the FFMC has been exclusively responsible for inter-provincial and international marketing of freshwater fish since 1969. If you had to pick only one, which of the following fish buying and marketing arrangements would you prefer?"



Preferred Channels of Communication

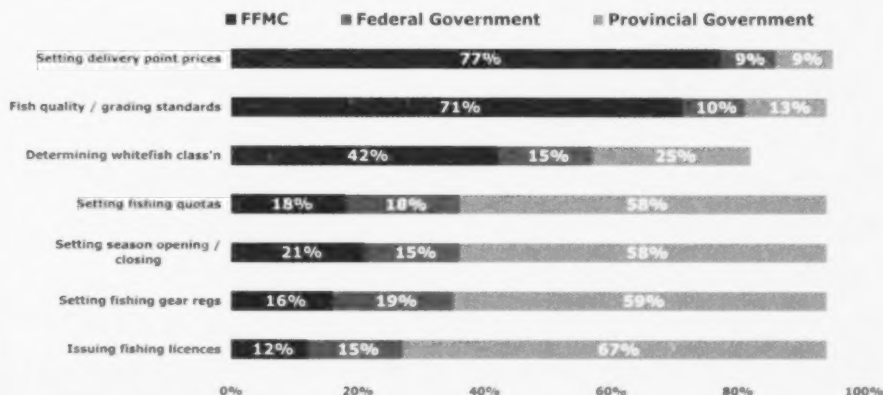
Q: "I'm going to read you a list of some of the ways that FFMC may communicate with you. For each one, I'd like you to tell me whether this would be a good way or a poor way of staying in touch with you."

■ Very Good ■ Somewhat Good



Perceived Government/Agency Responsibility

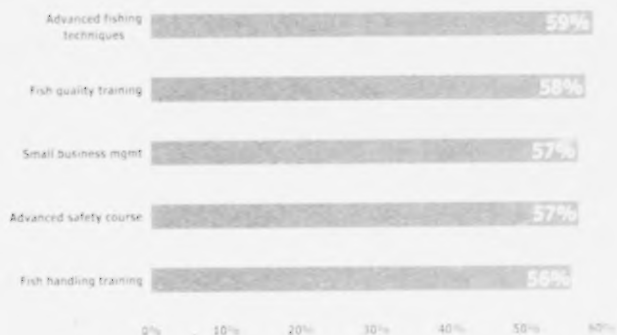
Q: "I'd like you to tell me whether you think the federal gov't, the provincial gov't or the FFMC is mainly responsible for the following things..?"



Understanding Western Inland

Desire for Training Courses (Aided)

Q: "I'd like you to tell me if you believe this type of course would help you personally to be a better fisher?"



Proportion of Total Catch Delivered to FFMC

Q: "Approximately what percentage of your entire catch did you deliver to the FFMC last year? Here I'm talking about your total catch from all species combined. Was it...?"



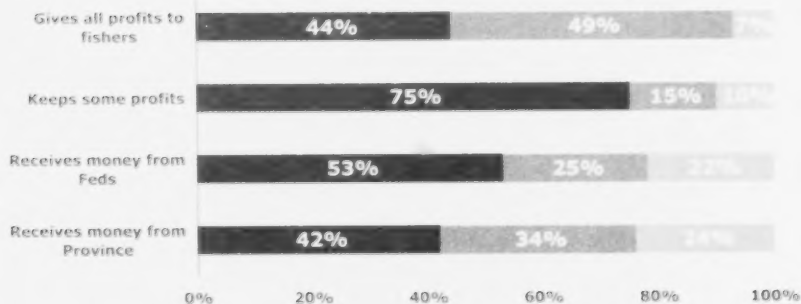
EXECUTIVE HIGHLIGHTS

- Over half of ten commercial freshwater fishers are men and the median age is 45 years.
- The average quality of education is high school education or less.
- 44% of respondents have income of \$10,000, supplemental job or social support income is necessary to sustain the basic standard of living for some.
- Only 5% consider themselves "full time" fishers, meaning that fishing is their primary source of income.
- The average fisher is aged 13.2 weeks per year of age involved in fishing.
- Approximately 2% considered their income as "just a hobby" or "side job".
- A majority was offered at specific training, such as fish quality training, small business management and advanced fishing techniques.
- A majority were both enthusiastic to most aspects of the FFMC mission and were supportive of FFMC continued commitment to creating cash prices for fish, developing new export markets and enforcing and maintaining quality standards.
- Fishers offered a positive overall performance rating to the FFMC. First Nations fishers were more positive in their assessment of the Corporation.

Perceptions of FFMC's Handling of Finances

Q: "Please indicate if you believe each of the following statements are true or false descriptions of the way the FFMC handles its financial affairs."

■ TRUE ■ FALSE ■ (Unsure)

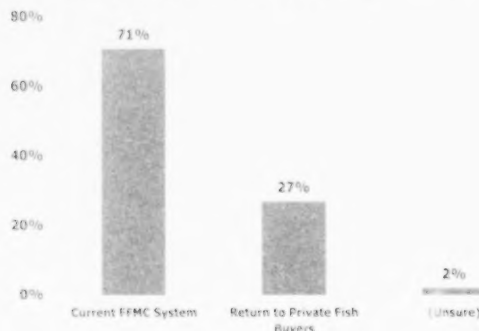


Commercial Fishers

- Seven in ten support the current single desk marketing arrangement and favour the status quo when it comes to the FFMC's current role as the exclusive freshwater fish marketing and export body.
- Concerns about low or declining fish prices were consistently raised in all regions.
- Approximately 20% are uncertain as to which organization or governmental authority is responsible for overseeing specific aspects of the fishing industry.
- Most are unclear regarding the realities of the FFMC's financial structure and protocol including profit allocation. Similar uncertainty exists as to whether or not the Corporation is subsidized by the Federal or Provincial governments.
- Less than one-half are aware of specific communication vehicles used by the FFMC including its Lake-to-Plate newsletter and annual/quarterly reports.
- Most are optimistic about the future of their local fisheries although only 22% are strongly convinced that this industry will survive and prosper.
- More than one-half of surveyed fishers report having a child or children whom they believe will carry on the family tradition of commercial freshwater fishing.

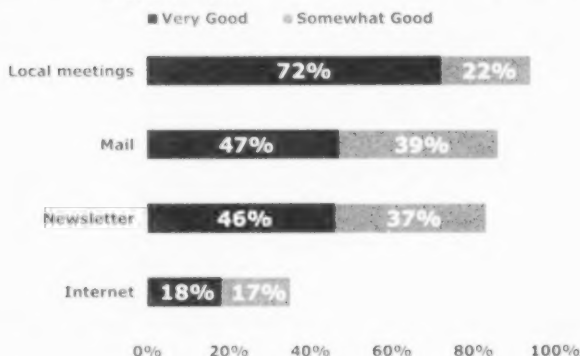
Attitudes Toward Alternative Fish Marketing Arrangements

Q: "As you may know, the FFMC has been exclusively responsible for inter-provincial and international marketing of freshwater fish since 1969. If you had to pick only one, which of the following fish buying and marketing arrangements would you prefer?"



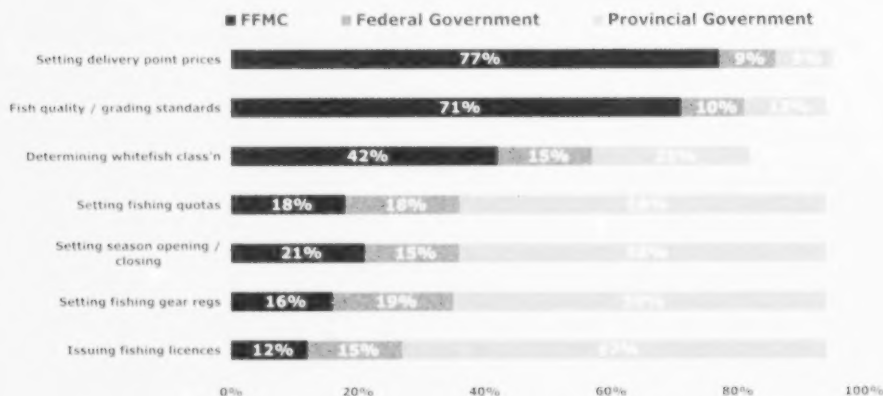
Preferred Channels of Communication

Q: "I'm going to read you a list of some of the ways that FFMC may communicate with you. For each one, I'd like you to tell me whether this would be a good way or a poor way of staying in touch with you."



Perceived Government/Agency Responsibility

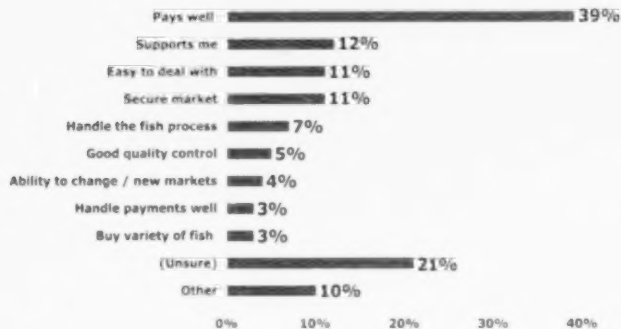
Q: "I'd like you to tell me whether you think the federal gov't, the provincial gov't or the FFMC is mainly responsible for the following things...?"



Perceived FFMC Strengths

(Unaided Total Mentions)

Q: "And what would you say is the best thing about the FFMC?"



Perceived FFMC Weaknesses

(Unaided Total Mentions)

Q: "And what would you say is the worst thing about the FFMC?"



FOR FURTHER INFORMATION OR INQUIRIES, CONTACT:
 EXECUTIVE ASSISTANT
 FRESHWATER FISH MARKETING CORPORATION
 1199 PLESSIS ROAD, WINNIPEG, MANITOBA, CANADA
 R2C 3L4
 PHONE (204) 983-3112
 EMAIL: EXECASSISTANT@FRESHWATERFISH.COM
 www.freshwaterfish.com

BACKGROUND AND OBJECTIVES

There has been a long-standing concern at Freshwater Fish Marketing Corporation about communication with the Corporation's largest and most important stakeholder group, the fishers. After more than thirty years in business, Freshwater Fish Marketing Corporation was aware of a need to consider how to fulfill its mandate for exclusive rights in the export fish market within an altered social and economic environment. A requirement for a clear identification of these stakeholders and an understanding of their needs and concerns was the impetus behind the Fisher Profile Survey.

Cross Cultural Consulting Inc. was recruited as the project coordinator and its role included contact with the funding sponsors. Western Opinion Research Inc. provided early work on designing the survey. Probe Research Inc. gathered, interpreted and reported the survey data, completing that work in March 2004. Survey participants were drawn from a list of 2,889 fishers who delivered to Freshwater Fish Marketing Corporation the previous year. A massive sample of 800 has provided relevant information on fishers in six sub-regions: Southwest Manitoba, Lake Winnipeg, Northern Manitoba, Saskatchewan, Alberta and the Northwest Territories.

The Fisher Profile Survey has provided Freshwater Fish Marketing Corporation and government stakeholders with a current assessment of support for the Corporation's mandate. Freshwater Fish Marketing Corporation now has a benchmark on which to base future assessments of its performance in the eyes of its fishers. In addition, the Fisher Profile Survey provides the foundation for a more effective communications strategy for fishers.

April 30, 2004

MANAGEMENT'S REPORT**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The accompanying financial statements of Freshwater Fish Marketing Corporation and all information in this annual report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. The financial statements include some amounts, such as the allowance for doubtful accounts receivable and the write-down of inventory, that are necessarily based on management's best estimates and judgement.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Financial information presented elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by internal audit studies, which consists of periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors meets with management and the external auditor on a regular basis. External auditors have full and free access to the Board.

The Corporation's independent external auditor, the Auditor General of Canada, is responsible for auditing the transactions and financial statements of the Corporation and for issuing her report thereon.



Robert F. Hand
President and Chief Executive Officer
Freshwater Fish Marketing Corporation



Gabriella Bradics
Chief Financial Officer
Freshwater Fish Marketing Corporation

Winnipeg, Canada
June 25, 2004

AUDITOR'S REPORT



Auditor General of Canada
Verificatrice generale du Canada

AUDITOR'S REPORT

To the Minister of Fisheries and Oceans

I have audited the balance sheet of Freshwater Fish Marketing Corporation as at April 30, 2004, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at April 30, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Freshwater Fish Marketing Act* and the by-laws of the Corporation.

Douglas Timmins, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
June 25, 2004

BALANCE SHEET

As at April 30, 2004 (in thousands of dollars)

ASSETS

Current

Cash	\$ 149	\$ 133
Accounts receivable	8,280	7,149
Inventories (Note 3)	15,288	14,595
Prepaid expenses	71	61

Capital assets (Note 4)

23,788	21,938
6,702	6,876
\$ 30,490	\$ 28,814

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 4,080	\$ 4,478
Provision for final payments to fishers	-	6,183
Loans payable (Note 5)	23,088	14,000
	27,168	24,661

Contingencies (Note 11)

RETAINED EARNINGS

Retained earnings

3,322	4,153
\$ 30,490	\$ 28,814

The accompanying notes are an integral part of the financial statements.

Approved by the Board:


Chairman


Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the Year Ended April 30, 2004 (in thousands of dollars)	2004	2003
OPERATIONS		
Sales (Note 6)		
Export	\$ 46,545	\$ 53,619
Domestic	13,716	13,147
	60,261	66,766
Cost of sales		
Opening inventory of finished fish products	13,682	10,862
Add fish purchases and processing expenses:		
Initial payments to fishers	35,689	37,710
Salaries, wages and benefits (Note 8)	8,970	8,519
Packing allowances and agency operating costs	5,471	5,256
Packaging and storage	3,589	3,141
Utilities and property taxes	1,317	1,273
Amortization of production assets	1,235	1,133
Repairs and maintenance	703	765
Other	453	391
	71,109	69,050
Less ending inventory of finished fish products (Note 3)	(14,383)	(13,682)
	56,726	55,368
Gross profit on operations	3,535	11,398
Marketing and administrative expenses		
Salaries and benefits (Note 8)	2,075	2,067
Interest and foreign exchange gains and losses (Note 7)	1,085	1,233
Data processing, office and professional services	645	667
Amortization of administration assets	225	235
Advertising and promotion	248	272
Meeting fees and expenses	149	143
Other	(61)	598
	4,366	5,215
Income (loss) before provision for final payments to fishers	(831)	6,183
Provision for final payments to fishers	-	6,183
Net income (loss) for the year (Note 9)	(831)	-
Retained earnings at beginning of the year	4,153	4,153
Retained earnings at end of the year	\$ 3,322	\$ 4,153

The accompanying notes are an integral part of the financial statements.

FINANCIALS

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2004 (in thousands of dollars)	2004	2003
CASH PROVIDED BY (used for)		
Operating activities		
Net income (loss) for the year	\$ (831)	\$ -
Add (deduct) items not affecting cash:		
Amortization	1,460	1,368
Loss on disposal of capital assets	30	49
Net changes in non-cash working capital balances relating to operations	(2,232)	(1,084)
Decrease in provision for final payments to fishers	(6,183)	(1,220)
Cash used for operations	(7,756)	(887)
Investing activities		
Additions to capital assets	(1,318)	(1,607)
Proceeds on disposal of capital assets	2	3
Cash used for investing activities	(1,316)	(1,604)
Financing activities		
Increase in loans payable	9,088	2,481
Cash provided by financing activities	9,088	2,481
Increase (decrease) in cash during the year	16	(10)
Cash at beginning of year	133	143
Cash at end of year	\$ 149	\$ 133

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended April 30, 2004

1. AUTHORITY, OPERATIONS AND OBJECTIVES

The Corporation was established in 1969 by the *Freshwater Fish Marketing Act* for the purpose of marketing and trading in fish, fish products, and fish by-products in and outside of Canada. The Corporation is required to purchase all fish legally caught in the freshwater region, which encompasses the provinces of Alberta, Saskatchewan, Manitoba, parts of northwestern Ontario, and the Northwest Territories. Participation of these provinces and territory was established by agreement with the Government of Canada.

The Corporation is an agent Crown corporation named in Part I of Schedule III of the *Financial Administration Act*. The Corporation is required to conduct its operations on a self-sustaining basis without appropriations from Parliament and the total borrowings of the Corporation may not exceed \$29 million.

The Corporation has the exclusive right to trade and market the products of the commercial fishery on an interprovincial and export basis, and it exercises that right with the objectives of marketing fish in an orderly manner, maximizing returns to fishers, promoting international markets, and increasing interprovincial and export trade in fish, fish products, and fish by-products.

The Corporation is a prescribed federal Crown corporation for tax purposes and is subject to federal income and large corporations taxes under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Inventories

Finished fish products are recorded at the actual cost of fish purchases throughout the year plus the average actual cost for direct labour and overhead directly related to processing. At year-end, finished fish products are valued at the lower of cost or net realizable value. Packaging material and supplies are valued at the lower of cost and replacement cost.

Capital Assets

Capital assets are recorded at cost.

Amortization is based on the estimated useful lives of the assets using the following methods and annual rates:

Buildings	- Lake stations	Straight-line	5-10%
	- Plant	Straight-line	2 1/2%
Equipment	- Machinery and office equipment	Declining balance	10-40%
	- Automotive	Declining balance	30%
Fresh fish delivery tubs		Straight-line	10%
Vessels		Straight-line	6 2/3%

The costs for systems under development and plant assets being upgraded or purchased, but that are not yet operational, are charged to construction in progress. When the assets become operational, the cost is transferred to the appropriate capital asset classification and amortized accordingly.

Payments to fishers and retained earnings

The Corporation purchases fish at initial prices established by the Board of Directors based upon operational forecasts prepared by the Corporation and the cost of such purchases is included in the cost of sales. Final payments to fishers, if any, are approved by the Board of Directors after the end of the year, based on the results of operations for the year, and are excluded from the cost of sales. The final payments are made in respect of products sold during the year and therefore are charged to operations of the current year. After the final payments are established, any remaining income for the year is recorded as retained earnings.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the time of the transactions. Amounts receivable and payable denominated in a foreign currency are translated into Canadian dollars at the year-end exchange rate. Foreign exchange gains and losses incurred on the settlement of amounts receivable and payable denominated in a foreign currency are included in interest and foreign exchange gains and losses.

Pension plan

Employees of the Corporation participate in the Public Service Superannuation Plan administered by the Government of Canada. The employees and the Corporation are both required to contribute to the cost of the plan. The Corporation's contributions are expensed on a current year basis and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

Revenue recognition

Sales are recorded on an accrual basis and recognized when products are shipped to customers.

Use of Estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and judgements that affect the amounts and disclosures reported in the financial statements. The more significant areas requiring the use of management estimates are related to the allowance for doubtful accounts and the provision to reduce all slow moving or unsellable finished fish inventories to their estimated net realizable value. Actual results may differ from those estimated, although management does not believe that any differences would materially affect the Corporation's financial position or reported results of its operations.

3. INVENTORIES (in thousands of dollars)

	2004	2003
Finished fish products	\$ 14,383	\$ 13,682
Packaging material and supplies	905	913
	\$ 15,288	\$ 14,595

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended April 30, 2004

4. CAPITAL ASSETS (in thousands of dollars)

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 336	\$ -	\$ 336	\$ 336
Buildings	7,831	5,546	2,285	2,331
Equipment	18,885	15,612	3,273	3,445
Fresh fish delivery tubs	731	319	412	413
Vessels	490	286	204	224
Construction in progress	192	-	192	127
	\$ 28,465	\$ 21,763	\$ 6,702	\$ 6,876

5. LOANS PAYABLE (in thousands of dollars)

	2004	2003
Promissory note	\$ 5,488	\$ -
Bankers acceptances	17,600	14,000
	\$ 23,088	\$ 14,000

The bankers acceptances are unsecured, bear interest at 2.05% (2003 - 3.30%) and mature on May 5, 2004.

The \$4,000,000 U.S. dollar denominated promissory note (\$5,488,400 Canadian dollar) is unsecured, repayable in U.S. dollars, bears interest at 1.49% and matures on September 1, 2004.

6. SALES COMMISSIONS

During the year, the Corporation paid commissions of \$1,026,732 (2003 - \$1,000,393) to sales agents, which are netted against sales in the statement of operations and retained earnings. Included in that amount is \$936,304 (2003 - \$527,101) of commissions paid to foreign sales agents.

7. INTEREST AND FOREIGN EXCHANGE GAINS AND LOSSES

Interest and foreign exchange gains and losses of \$1,084,648 (2003 - \$1,233,491) includes interest of \$678,447 (2003 - \$496,892) and a net foreign exchange loss of \$406,201 (2003 - \$736,599).

Interest paid during the year amounted to \$678,284 (2003 - \$508,709).

Foreign currency risk is the risk that changes in exchange rates between the Canadian dollar and foreign currencies may adversely affect the Corporation's operating and financial results. The Corporation generates a significant portion of its sales in U.S. dollars and does not use derivative financial instruments to hedge its exposure to this foreign currency risk.

8. PENSION PLAN

The Corporation's share of the total contributions paid to the employee pension plan for the current year was \$643,563 (2003 - \$673,758).

FINANCIALS

9. INCOME TAXES

The Corporation is eligible to deduct for tax purposes a portion of its capital cost allowance, and accordingly, has no taxable income for the year (2003 - nil). At April 30, 2004 the estimate of the excess of undepreciated capital cost over the net book value of capital assets amounted to \$1,997,000 (2003 actual - \$2,024,000) which can be used to reduce future years' taxable income. No amount has been recorded in the financial statements with respect to this excess amount since it is unlikely that any future income tax benefits will be realized.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities, provision for final payments to fishers, and loans payable are valued at their carrying values on the balance sheet, which are reasonable estimates of fair value due to the relatively short period to maturity of the financial instruments.

11. CONTINGENCIES

The Corporation is involved in various legal claims arising from the normal course of business. The outcome of these claims is currently not determinable, and accordingly, no amounts have been recorded in the financial statements. It is the opinion of management that any amounts payable arising from these claims will not have a material adverse effect on the financial position of the Corporation. Amounts payable, if any, will be recorded in the year in which any liability is considered likely and the associated costs can be reasonably estimated.

12. COMPARATIVE FIGURES

Certain 2003 comparative figures have been restated to conform with the current year's presentation.

CORPORATE GOVERNANCE



A Board of eleven Directors, including the President and Chief Executive Officer, governs the Corporation. All Board positions are federal Order-in-Council appointments, with five appointed on recommendation of the participating provincial governments. During the 2003/2004 fiscal year, seven of those Directors were fishers and six were Aboriginal. The Board believes this composition reflects the geographical scope, interests and well-being of its multicultural stakeholders. It is the Board's strongly-held view that a majority of its members should always be active fishers representative of the various regions.

Board members exercised their liaison role with all levels of government and fisher association stakeholders by attending numerous private and public meetings, conferences and information sessions in the provinces and communities they represent.

The Corporation's Board members met six times in Winnipeg during the fiscal year. The main purpose of four meetings was to review corporate results for each quarter. A Quarterly Report is provided to stakeholders highlighting key financial results and commenting on the progress of fisheries across the FPMC region. The fifth session was held in July 2003 to review and approve the Annual Report for 2002/2003. A sixth special session was devoted to a review of the 2004/2005 forecasts and budget, and approval of the Corporate Plan submitted to the Treasury Board.

The Board considered five applications under the Export Dealers Licence policy and approved none, while renewing two.

Chairman Jim Bear travelled to Ottawa to meet with the new Minister of Fisheries and Oceans, Honourable Geoff Regan, in February and April 2004. Chairman Jim Bear and other Board members attended numerous meetings with fishers and community leaders.

Major conferences or annual meetings attended included the Northwest Territories Fishermen's Federation, Seafood Value Chain Roundtable, Alberta Commercial Fishermen's Association, Saskatchewan Cooperative Fisheries Ltd., and the National Seafood Sector Council board.

Director Robert T. Kristjanson completed 6 years of service on the Board at the end of 2003. The Director appointed in his place is Ron Ballantyne, a self-employed commercial freshwater fisher for more than twenty-five years. Mr. Ballantyne was a councillor with the Grand Rapids First Nation and has worked part-time for twenty years in the court worker program. Current member Ed Isfeld was reappointed as a federal representative for Manitoba.

BOARD OF DIRECTORS



Jim Bear

Chairman of the Board
Scanterbury, Manitoba
Occupation: Political Advisor
Southeast Tribal Council
Served on FFMC Board: 3 years



Robert F. Hand

President and Chief Executive Officer
Winnipeg, Manitoba
Served on FFMC Board: 4.5 years



Robert T. Kristjanson

Gimli, Manitoba
Occupation: Fisher
Served on FFMC Board: 6 years
(Retired Dec 2003)



Irvin Constant

The Pas, Manitoba
Occupation: Fisher
Served on FFMC Board: 8 years



Gordon McDougall

Ashern, Manitoba
Occupation: Fisher
Served on FFMC Board: 8 years



James R. Favel

Île-à-la-Crosse, Saskatchewan
Occupation: Fisher
Served on FFMC Board: 5.5 years



Ed Isfeld

Winnipeg Beach, Manitoba
Occupation: Fisher
Served on FFMC Board: 14 years



David McArthur

Lac La Biche, Alberta
Occupation: (Retired) Executive Director
Alberta Commercial Fishermen's Association
Served on FFMC Board: 23 years



Bert Buckley

Hay River, Northwest Territories
Occupation: Fisher
Served on FFMC Board: 5 years



Terry Hansen

Beauval, Saskatchewan
Occupation: Heavy Duty Mechanic
Served on FFMC Board: 1.5 years



Ron Ballantyne

Grand Rapids, Manitoba
Occupation: Fisher
Served on FFMC Board: .5 year (new member)

CORPORATE OFFICERS

Robert F. Hand

President and Chief Executive Officer
Email: bob.hand@freshwaterfish.com

Gabriella Bradics

Chief Financial Officer
Email: gabriella.bradics@freshwaterfish.com

Gerald F. Malone

Vice-President, Marketing
Email: gerry.malone@freshwaterfish.com

Stephen Kendall

Vice-President, Operations
Email: stephen.kendall@freshwaterfish.com

CORE VALUES

We will provide a working environment that recognizes employee value and fosters innovation and respect.

We will be open, honest and accountable.

We will strive to exceed customer expectations for quality, service and reliability.

We will be vigilant in all we do to ensure the sustainability of the inland fishery.

We will treat everyone fairly and with respect.

Above all, we will be governed by our responsibilities to fishers.



1199 PLEISSIS ROAD, WINNIPEG, MANITOBA, CANADA R2C 3L4
PHONE (204) 983-6600 FAX (204) 983-6497
www.freshwaterfish.com